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啟迪國際
TUS INTERNATIONAL

TUS INTERNATIONAL LIMITED

啟迪國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 872)

**MAJOR TRANSACTION
IN RELATION TO
THE DISPOSAL OF 24.75% EQUITY INTEREST IN
SUZHOU ZHIHUA AUTOMOBILE ELECTRONICS CO., LTD**

THE DISPOSAL

After trading hours on 23 April 2021, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchasers, the Target Company and the Minority Shareholder entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire, in aggregate 24.7538% of the equity interest in the Target Company at the Consideration of RMB136,145,600 (equivalent to approximately HK\$162.0 million) in accordance with the terms and conditions of the Equity Transfer Agreement.

Pursuant to the Equity Transfer Agreement, Purchaser 1 and Purchaser 2 shall acquire 21.2175% and 3.5363% equity interest of the Target Company from the Vendor, respectively.

As at the date of this announcement, the Target Company is owned as to 44.7538% by the Vendor, which also has control of the board of directors of the Target Company. Upon completion, the Target Company will be owned as to 24.7538% by the Purchasers and 20% by the Vendor, and the Vendor will cease to have control of the board of directors of the Target Company. The Target Company will therefore cease to be a subsidiary of the Company upon completion.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 25% and all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transaction contemplated thereunder.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Equity Transfer Agreement and the Disposal, together with a notice of the EGM and a form of proxy, is expected to be despatched to the Shareholders on or before 31 May 2021, so as to allow sufficient time for the preparation of the relevant information to be included in the circular.

Completion of the Disposal is subject to the fulfilment of the conditions precedent set out in the Equity Transfer Agreement as well as Shareholders' approval and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

INTRODUCTION

After trading hours on 23 April 2021, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchasers, the Target Company and the Minority Shareholder entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire, in aggregate 24.7538% of the equity interest in the Target Company at the Consideration of RMB136,145,600 (equivalent to approximately HK\$162.0 million) in accordance with the terms and conditions of the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, each of Purchaser 1 and Purchaser 2 shall acquire 21.2175% and 3.5363% equity interest of the Target Company from the Vendor, respectively.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised below:

Date

23 April 2021

Parties

- (a) the Vendor;
- (b) the Purchasers;
- (c) the Target Company; and
- (d) the Minority Shareholder.

Assets to be disposed of

As at the date of this announcement, the Target Company, an indirect non-wholly owned subsidiary of the Company held through the Vendor, is owned as to 44.7538% by the Vendor, while the remaining shares are held by seven investors, including the Minority Shareholder holding 12.7003%. While the Company holds less than half of the voting rights of the Target Company, it has control over the Target Company by virtue of the Vendor's control of the board of directors and significant influence on the management and operation of the Target Company.

Upon completion, the Target Company will be owned as to 24.7538% by the Purchasers and 20% by the Vendor, and the Vendor will cease to have control of the board of the directors and significant influence on the management and operation of the Target Company. The Target Company will therefore cease to be an indirect non-wholly owned subsidiary of the Company upon completion.

Consideration

Pursuant to the Equity Transfer Agreement, the Consideration of RMB136,145,600 (equivalent to approximately HK\$162.0 million), shall be settled by the Purchasers in the following manner:

- (i) RMB116,696,229 in cash by Purchaser 1, shall be payable as to (i) RMB42,857,143 at the Initial Closing; and (ii) RMB73,839,086 at the Final Closing; and
- (ii) RMB19,449,371 in cash by Purchaser 2, shall be payable as to (i) RMB7,142,857 at the Initial Closing; and (ii) RMB12,306,514 at the Final Closing.

Conditions precedent to the Initial Closing

The Initial Closing is conditional upon the satisfaction of certain conditions precedent, including but not limited to:

- (1) approval of the equity transfer under the Equity Transfer Agreement by the shareholders or partners of the Purchasers and the shareholders of the Vendor by way of resolutions;
- (2) other shareholders of the Target Company having waived their respective rights of first refusal to purchase the equity interest in the Target Company;
- (3) there being no existing or known legal proceedings or claims initiated by or to any government authority against the Target Group or the Vendor, which would prevent the performance of the Equity Transfer Agreement or would have material adverse effect on the Target Group;
- (4) no event that would lead to material adverse effect on the Target Group having occurred before or at the Initial Closing; and
- (5) completion of the due diligence on the Target Group by the Purchasers, and the results of the same being satisfactory to the Purchasers.

If such conditions precedent to the Initial Closing are not fulfilled by 23 April 2021, the Purchasers may unilaterally decide to:

- (i) postpone the Initial Closing to a later date, which shall be no later than 30 April 2021; or
- (ii) waive the unfulfilled condition(s) and, where practicable, proceed to the Initial Closing;
or
- (iii) if such conditions are not fulfilled and not waived by the Purchasers by 7 May 2021, the Purchasers may terminate the Equity Transfer Agreement, and shall not be liable to the other Parties for such decision, but such termination shall not affect any Party's liabilities to the other Parties for any breach of the Equity Transfer Agreement prior to termination.

Conditions precedent to the Final Closing

The Final Closing is conditional upon the satisfaction of certain conditions precedent, including but not limited to:

- (1) The Target Company having registered Purchaser 1 and Purchaser 2 as shareholders of the Target Company holding 21.2175% and 3.5363% equity interest respectively, and the same having been recorded in the register of shareholders of the Target Company in the manner agreed by the Parties;
- (2) all necessary consents from third parties, including relevant authorities concerning the Target Group, having been obtained;
- (3) all necessary approvals from relevant government authorities for the execution, performance and fulfilment of the Equity Transfer Agreement having been obtained, and such approvals still being valid and not having modified the provisions of the Equity Transfer Agreement in any material respect;
- (4) approval of the Disposal by the Shareholders;

- (5) the Company having obtained the necessary approvals from the Stock Exchange regarding the Disposal (if required), and such approvals not having modified the provisions of the Equity Transfer Agreement in any material respect; and
- (6) there being no existing or known legal proceedings or claims initiated by or to any government authority against the Target Group or the Vendor, which would prevent the performance of the Equity Transfer Agreement or would have material adverse effect on the Target Group.

If such conditions precedent to the Final Closing are not fulfilled by 30 June 2021, the Purchasers may unilaterally decide to:

- (i) postpone the Final Closing to a later date, which shall be no later than 9 July 2021; or
- (ii) waive the unfulfilled condition(s), and where practicable, proceed to the Final Closing; or
- (iii) if such conditions are not fulfilled and not waived by the Purchasers by 30 September 2021, the Purchasers may terminate the Equity Transfer Agreement, and shall not be liable to the other Parties for such decision, but such termination shall not affect any Party's liabilities to the other Parties for any breach of the Equity Transfer Agreement prior to termination.

Completion

The Initial Closing shall take place on the 5th Business Day after fulfilment or waiver of the conditions precedent to the Initial Closing, or such other date as may be agreed in writing by the Parties.

The Final Closing shall take place on the 5th Business Day after fulfilment or waiver of the conditions precedent to the Final Closing, or such other date as may be agreed in writing by the Parties. Completion of the Equity Transfer Agreement and the Disposal shall take place at Final Closing.

Termination

The Equity Transfer Agreement may be terminated under the following circumstances:

- (i) upon the Parties' agreement in writing, specifying the effective date of termination; and
- (ii) if, within the period from the date of the Equity Transfer Agreement to completion, certain event(s) of default occur, any Party may terminate the Equity Transfer Agreement by giving 10 Business Days' notice in writing to the other Parties.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the PRC with limited liability, whose registered capital is owned as to 44.7538% by the Vendor as the largest shareholder, while the remaining shares are held by seven investors, including the Minority Shareholder holding 12.7003%, and is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement and immediately before the completion of the Disposal.

The principal business activities of the Target Group are research and development, production and sale of advanced driving assistance system ("ADAS"). ADAS products, ranging on the spectrum of active (control) and passive (warning), include around view monitoring, lane departure warning, forward collision warning, pedestrian detection, night vision, blind spot detection, driver fatigue monitoring and other ADAS-related technologies.

Set out below are the extracts of the unaudited consolidated financial performance of the Target Group for the years ended 31 December 2019 and 2020:

	For the year ended 31 December 2019 (unaudited) HK\$'million	For the year ended 31 December 2020 (unaudited) HK\$'million
Revenue	276.4	290.7
Profit before taxation	3.4	2.4
Profit after taxation	2.1	2.4

As at 31 December 2020, the unaudited consolidated net assets value of the Target Group is approximately HK\$57.1 million.

INFORMATION ON THE GROUP

The Group is principally engaged in research and development, production and sale of ADAS products and automotive-grade wireless connectivity modules. Automotive-grade wireless connectivity modules are electronic modules that connect cars and infrastructure via wireless communication such as cellular networks (2G, 3G, 4G/LTE, LTE-A and in the future 5G technology) as well as per vehicle to vehicle and vehicle to everything (V2X) communication schemes.

INFORMATION ON THE PARTIES INVOLVED

Information on the Vendor

The Vendor is a company incorporated in the PRC with limited liability, which is an investment holding company and an indirect wholly-owned subsidiary of the Company.

Information on the Purchasers

Purchaser 1 is a company established in the PRC with limited liability in 2015 and is principally engaged in trading of commodities. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, Purchaser 1 is ultimately owned as to 60% by Huang Tao (黃濤) and 40% by Huang Shiying (黃世熒).

Purchaser 2 is a limited partnership established in the PRC in 2021 and is principally engaged in investment in equities involved in data and communication services. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, Purchaser 2 has two partners, and is ultimately owned as to 60% by Zheng Zhongjun (鄭中軍) and 40% by Zhang Feixia (張飛霞), with Zhang Feixia (張飛霞) acting as general partner.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, the Purchasers and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

Information on the Minority Shareholder

The Minority Shareholder is a limited partnership incorporated in the PRC with limited liability, which is principally engaged in investment holdings, and holds approximately 12.7003% equity interest in the Target Company, and hence, a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

To the best knowledge of the Directors, Mr. Deng Bo, being one of the founders, director and CEO of the Target Company, holds 85% equity interest in the Minority Shareholder and exercises control over the Minority Shareholder, and is therefore also a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Vendor and the Purchasers with reference to, among other things, (i) the Consideration being a premium over the unaudited consolidated net assets value of the Target Group of approximately HK\$57.1 million as at 31 December 2020; (ii) the historical financial performance of the Target Group and its expected growth; (iii) the current and expected market condition of the industry in which the operations of the Target Group is participating; (iv) the Purchasers' indication that it shall procure capital injection into the Target Company and procure the repayment of the Target Company's debts, including the loan owed to the Vendor, in the future; and (v) the reasons for and benefits of the Disposal as set out below.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group commenced the acquisition of the equity interests of the Target Company since March 2017 with an aim to enter into the ADAS and intelligent connected vehicles business industry in China. Further in 2018, the Group invested as a minority shareholder in the National Innovation Center of Intelligent Connected Vehicles (“**National Innovation Center**”) with several automotive original equipment manufacturers and mobility service providers in China (which was subsequently disposed in February 2021). National Innovation Center was positioned as the core source of forward-looking and common cross key technologies, core public platform of research and development, transformation of technological achievements, innovation and development of the industry, and the base in gathering and cultivating high-end talents. In 2019, the Group acquired 100% equity interests of a business engaged in research and development and sale of automotive-grade wireless connectivity modules. After years of strategic re-positioning, the Group has successfully transformed to an integrated intelligent autonomous driving service provider and has become one of the most influential players in the intelligent connected vehicles industry in China.

As disclosed in the Company’s annual results announcement for the year ended 31 December 2020 on 29 March 2021, the COVID-19 pandemic (“**Pandemic**”) outbreak in late 2019 had a substantial impact on the business operations and cash flows of the Group. A series of precautionary and control measures was implemented across the globe, which significantly disrupted the movement of people and goods, supply chains and general economic conditions, and thereby affected the development pace of the global automotive industry. Given the unstable development of economic and political factors around the world under the current Pandemic situation and Sino-US trade tension, fundraising activities of the Group during the year ended 31 December 2020 were also significantly affected, since potential investors and financial institutions were more cautious on equity and debt financing, especially to loss making businesses. In addition, the Group experienced a temporary scale down of business relationship with certain customers with long operating history. As such, the Directors have been implementing strategies to improve the overall financial position of the Group in the short run, while the Group strived its best to conduct active dialogue with creditors and Shareholders on the Group’s business developments, as well as potential debt restructuring and re-financing plans with creditors, so as to improve overall financing cash flows.

The Group recorded a net loss of approximately HK\$249.9 million for the year ended 31 December 2020, and net current liabilities of approximately HK\$882.7 million as of 31 December 2020, which may have a considerable impact on the liquidity position of the Group. These events and conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

On such basis, the Directors have given due consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, save as the liquidity measures implemented during the year ended 31 December 2020, the Group is further implementing several key measures for the year ending 31 December 2021, including but not limited to the restructuring of its business, corporate and organisational strategies.

The Directors regularly review the Group's business operations and consider a range of action plans to address its working capital and liquidity position, with detailed assessments of the short-term financial budgets of the two major business segments of the Group, namely the ADAS business (being the Target Group) and the automotive-grade wireless connectivity business. The Directors noted that significant working capital requirement and capital investments are required to manage the growth sustainability of both segments in the short run. It is further estimated that, unless sufficient financial resources could be raised from potential investors or continuous financial support could be obtained from the Shareholders, the two major business segments may not have sufficient and available financial resources to sustain the growth expected by the Directors.

In view of such short-term financial needs on working capital and capital investments to be injected into the two business segments, the Directors may consider to partially or wholly dispose of the equity interests in either or both business segments to realise cash for future developments, including this Disposal.

In entering into the Equity Transfer Agreement, the Directors have considered (i) the intended use of proceeds for repayment of the Group's borrowings which will improve the net debt position and gearing ratio of the Group; (ii) the instant net cash inflows of approximately HK\$151.2 million upon completion of the Disposal which may provide immediately available working capital for the operation and business development of automotive-grade wireless connectivity business segment; (iii) the need to dispense with extensive capital requirements for the continuous development of the Target Group and focus on other existing lines of businesses of the Group; and (iv) the estimated one-off gain (after deducting the relevant taxes and expenses) of approximately HK\$96.3 million to the Group, which would also allow the Group to reduce its debt level and therefore improve the liquidity and overall financial position of the Group.

In view of the above, the Directors consider that the Disposal is made on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion, the Target Company would cease to be a subsidiary of the Company and the assets and liabilities and results of operation of the Target Group would no longer be consolidated into the consolidated financial statements of the Group. Given the loss of control on the Target Company as well as insignificant influence on the management and operation of the Target Group after the Disposal, the Group expects to account for the remaining 20% equity interests in the Target Company held by the Group as financial asset at fair value through other comprehensive income ("FVTOCI") and expected to re-measure it at approximately HK\$132.0 million at the date of inception with reference to the Consideration (subject to valuation work to be performed by independent professional valuer and the review by auditors of the Company).

As such, the Group expects to record a net gain of approximately HK\$96.3 million as a result of the Disposal, which represents the difference between the Consideration of approximately HK\$162.0 million, the attributable portion of the unaudited net assets value of the Target Group as at 31 December 2020 of approximately HK\$25.5 million, de-recognition of goodwill of approximately HK\$161.4 million attributable to this cash generating unit, the estimated taxes and expenses of approximately HK\$10.8 million and recognition of financial asset at FVTOCI of approximately HK\$132.0 million. Given the aforementioned net gain on completion of the Disposal, the consolidated net asset value attributable to the Shareholders is preliminarily estimated to be increased by approximately HK\$96.3 million.

Shareholders are reminded that the actual gain to be recognised shall be determined following the completion of the Disposal and subject to certain valuation work and audit.

INTENDED USE OF PROCEEDS

The Directors expect that, after deducting the estimated taxes and expenses of approximately HK\$10.8 million, the net proceeds arising from the Disposal is estimated to be approximately HK\$151.2 million. The Company intends to apply the net proceeds for repayment of its borrowings and for general working capital and business development of the automotive-grade wireless connectivity business.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 25% and all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' information, knowledge and belief, after having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution approving the Equity Transfer Agreement and the transaction contemplated thereunder at the EGM.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transaction contemplated thereunder.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Equity Transfer Agreement and the Disposal, together with a notice of the EGM and a form of proxy, is expected to be despatched to the Shareholders on or before 31 May 2021, so as to allow sufficient time for the preparation of the relevant information to be included in the circular.

Completion of the Disposal is subject to the fulfilment of the conditions precedent set out in the Equity Transfer Agreement as well as Shareholders' approval and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

- | | | |
|--------------------|---|--|
| “Board” | : | the board of Directors of the Company |
| “Business Day(s)” | : | any normal working day other than a Saturday, Sunday or a statutory holiday in the PRC or Hong Kong |
| “Company” | : | TUS International Limited (啟迪國際有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00872) |
| “connected person” | : | has the meaning ascribed thereto under the Listing Rules |
| “Consideration” | : | the consideration for the 24.7538% equity interest in the Target Company under the Equity Transfer Agreement, being the sum of RMB136,145,600 (equivalent to approximately HK\$162.0 million) |
| “Director(s)” | : | the director(s) of the Company |
| “Disposal” | : | the proposed disposal of 24.7538% equity interest in the Target Company under the Equity Transfer Agreement by the Vendor |
| “EGM” | : | an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the ordinary resolution in respect of the Disposal |

“Equity Transfer Agreement”	: the equity transfer agreement dated 23 April 2021 entered into between the Vendor, the Purchasers, the Target Company and the Minority Shareholder in relation to the Disposal
“Final Closing”	: the payment of the sum of RMB86,145,600 from the Purchasers, specifically RMB73,839,086 and RMB12,306,514 from Purchaser 1 and Purchaser 2 respectively, to the Vendor’s designated bank account
“Group”	: the Company and its subsidiaries
“HK\$”	: Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	: the Hong Kong Special Administrative Region
“Initial Closing”	: the payment of the sum of RMB50,000,000 from the Purchasers, specifically RMB42,857,143 and RMB7,142,857 from Purchaser 1 and Purchaser 2 respectively, to the Vendor’s designated bank account
“Listing Rules”	: the Rules Governing the Listing of Securities on the Stock Exchange
“Minority Shareholder”	: Suzhou Yinwo Investment Management Enterprise (Limited Partnership)* (蘇州茵沃投資管理企業(有限合夥)), a limited partnership established in the PRC with limited liability
“Parties”	: the parties to the Equity Transfer Agreement, namely, the Vendor, the Purchasers, the Target Company and the Minority Shareholder, each of which a “Party”

“Purchaser 1”	: Tibet Huize Hongtu Trading Co., Ltd.* (西藏惠澤宏圖商貿有限公司), a company incorporated in the PRC with limited liability
“Purchaser 2”	: Ningbo Tengyue Qizhi Technology Partnership (Limited Partnership)* (寧波騰越啟智科技合夥企業(有限合夥)), limited partnership established in the PRC with limited liability
“Purchasers”	: collectively, Purchaser 1 and Purchaser 2
“PRC”	: the People’s Republic of China, which for the purpose of this announcement excludes, Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	: Renminbi, the lawful currency of the PRC
“Share(s)”	: ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	: holder(s) of the Share(s)
“Stock Exchange”	: The Stock Exchange of Hong Kong Limited
“Target Company”	: Suzhou Zhihua Automobile Electronics Co., Ltd.* (蘇州智華汽車電子有限公司), a company incorporated in the PRC with limited liability
“Target Group”	: the Target Company and its wholly-owned subsidiary, Beijing Yinwo Automobile Technology Company Limited* (北京茵沃汽車科技有限公司), a company incorporated in the PRC with limited liability

“Vendor” : Suzhou Qiyizhi Management Enterprise Limited* (蘇州企億智企業管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company

“%” : per cent

By Order of the Board
TUS International Limited
Ma Chi Kong Karl
Chairman

Hong Kong, 23 April 2021

As at the date of this announcement, the Board comprises Mr. Hu Bo who is an executive Director, Mr. Ma Chi Kong Karl (Chairman) and Mr. Tsang Ling Biu Gilbert who are non-executive Directors, and Hon. Quat Elizabeth (JP), Dr. Koong Hing Yeung Victor and Mr. Lee Kwok Tung Louis who are independent non-executive Directors.

* For identification purposes only